

Message Text

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TO AMEMBASSY ISLAMABAD

C O N F I D E N T I A L STATE 060190

FOLLOWING REPEAT OECD PARIS 5998 ACTION SECSTATE INFO ABU DHABI
ALGIERS ANKARA BERN BONN BRUSSELS CARACAS COPENHAGEN DOHA DUBLIN
THE HAGUE JAKARTA JIDDA KUWAIT LAGOS LIBREVILLE LONDON
LUXEMBOURG MADRID OSLO OTTAWA QUITO ROME STOCKHOLM TEHRAN
TOKYO TRIPOLI VIENNA WELLINGTON EC BRUSSELS NATO 7 MARCH.

QUOTE

C O N F I D E N T I A L OECD PARIS 05998

KUWAIT PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: IEA: GOVERNING BOARD DECISION ON ACCELERATED
DEVELOPMENT

1. AFTER VIGOROUS TWO-DAY DISCUSSION, GOVERNING BOARD
REACHED AGREEMENT ON TEXT OF OVERALL FRAMEWORK OF
AGREEMENT PROVIDING FOR ESTABLISHMENT COOPERATIVE
POLICY ON ACCELERATED DEVELOPMENT OF ALTERNATIVE SOURCES
OF ENERGY. DELEGATIONS AGREED TO ASK GOVERNMENTS TO
CONSIDER TEXT WITH A VIEW TOWARD APPROVING IT AT NEXT
GOVERNING BOARD MEETING ON MARCH 19-20

2. AGREEMENT PROVIDES FOR ESTABLISHMENT OF COORDINATED
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SYSTEM OF COOPERATIVE MEASURES, INCLUDING:

A. AGREEMENT BY PARTICIPATING COUNTRIES TO ENCOURAGE AND SAFEGUARD INVESTMENTS IN "THE BULK OF CONVENTIONAL ALTERNATIVE SOURCES" IN THE REALIZATION THAT FUNDAMENTAL GOALS OF REDUCED DEPENDENCE ON IMPORTED OIL, ETC. WILL BE AT RISK IF IMPORTED OIL IS SOLD WITHIN THEIR ECONOMIES BELOW A CERTAIN AGREED PRICE LEVEL. THE LEVEL AT WHICH NATIONAL MEASURES WILL BE IMPLEMENTED TO COUNTER SUCH RISK WILL BE ESTABLISHED ON THE BASIS OF FURTHER ANALYSIS.

B. COOPERATION IN PROVIDING SPECIFIC MEASURES OF ASSISTANCE TO STIMULATE ENERGY INVESTMENT ON A PROJECT-BY-PROJECT BASIS.

C. COOPERATION ON ENERGY R & D, INCLUDING JOINTLY FINANCED PROJECTS.

GOVERNING BOARD ALSO APPROVED INSTRUCTIONS TO STANDING GROUP ON LONG-TERM COOPERATION TO DEVELOP BY MAY 15 DETAILED ELABORATION OF ELEMENTS AND PRINCIPLES CONTAINED IN DECISION.

3. AS NOTED ABOVE, QUESTION OF LEVEL AT WHICH GENERAL MEASURE OF PRICE PROTECTION WILL BE ESTABLISHED REMAINS TO BE FIXED. BUT IT IS CLEARLY UNDERSTOOD THAT PHRASE "IN THE BULK OF CONVENTIONAL ALTERNATIVE SOURCES" INCLUDES SUCH MAJOR INCREMENTS TO SUPPLY AS OCS AND NORTH SLOPE OIL. THE ACTUAL ESTABLISHMENT OF A LEVEL WILL CLEARLY BE SUBJECT TO HARD BARGAINING, BUT THOSE COUNTRIES WITH LIMITED FOSSIL FUEL OPPORTUNITIES HAVE TAKEN THE LEAP AND ACCEPTED THE CONCEPT OF A COMMON PROTECTED PRICE.

4. SWEDEN IS THE ONLY COUNTRY WHICH CONTINUES TO HAVE SUBSTANTIAL RESERVATIONS ON TEXT. SWEDES HAVE SOME DIFFICULTY WITH PROTECTED PRICE CONCEPT BUT THEIR OBJECTIONS TO AGREEMENT APPEAR MORE POLITICAL THAN ECONOMIC AS THEY EXPRESSED STRONG RESERVE OVER CREATION OF IEA SYSTEM FOR ACCELERATED DEVELOPMENT IN ADVANCE OF DIALOGUE WITH PRODUCERS. SWEDISH DELEGATE DID AGREE, HOWEVER, TO RECOMMEND TEXT TO HIS GOVERNMENT.

5. ON QUESTION OF LINK BETWEEN NEED FOR SUBSTANTIAL CONFIDENTIAL

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PROGRESS ON ACCELERATED DEVELOPMENT AND PREPARATORY MEETING WITH PRODUCERS, GOVERNING BOARD AGREED THAT ON BASIS OF PROGRESS REACHED ON FORMER ISSUE, DELEGATIONS WOULD RECOMMEND TO GOVERNMENTS 1) APPROVAL OF ACCELERATED DEVELOPMENT TEXT AND 2) ACCEPTANCE OF FRENCH INVITATIONS TO PREPCON BY THOSE GOVERNMENTS WHO HAVE RECEIVED THEM. TWO QUESTIONS WILL THEN BE ADDRESSED FOR FINAL APPROVAL AT MARCH 19-20 MEETING.

6. FOLLOWING IS TEXT OF G.B. DECISION:

BEGIN TEXT

THE GOVERNING BOARD:

1. HAD A FURTHER SUBSTANTIAL DISCUSSION OF A COOPERATIVE APPROACH TO THE ACCELERATED DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES. DELEGATIONS AGREED THAT IT IS NECESSARY TO SUBMIT TO GOVERNMENTS OF PARTICIPATING COUNTRIES A POLICY CONCEPT AND THAT THIS CONCEPT SHOULD BE DECIDED UPON AT THE NEXT MEETING OF THE GOVERNING BOARD.

2. THIS CONCEPT SHOULD OUTLINE THE BASIC PROGRAM NEEDED TO IMPROVE THE ENERGY SUPPLY SITUATION OF THE IEA COUNTRIES. IT IS UNDERSTOOD BY THE GOVERNING BOARD THAT THIS SYSTEM WILL HAVE TO BE ELABORATED IN DETAIL AND THAT SUCH AN ELABORATION MAY SHOW THE NEED FOR MODIFICATION OF THE CONCEPT IN ORDER TO ACHIEVE THE OVERALL OBJECTIVES OF THE PROGRAM. IT IS UNDERSTOOD BY THE GOVERNING BOARD THAT IN THE ELABORATION OF THIS SYSTEM DEVELOPMENTS IN THE PRODUCER/CONSUMER DIALOGUE WILL BE TAKEN INTO ACCOUNT AND THAT MODIFICATIONS MAY BE ADVISABLE.

3. DELEGATIONS AGREED TO ASK GOVERNMENTS TO CONSIDER THE DRAFT DECISION AT ANNEX WITH A VIEW TO APPROVING IT.

DRAFT OF A DECISION ON ACCELERATED DEVELOPMENT
OF ALTERNATIVE ENERGY SOURCES TO BE SUBMITTED
TO GOVERNMENTS OF PARTICIPATING COUNTRIES OF
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THE INTERNATIONAL ENERGY AGENCY

THE GOVERNING BOARD:

RECALLING ARTICLES 41 AND 42 OF THE AGREEMENT AND
THE CONCLUSIONS OF ITS MEETING OF 5TH TO 7TH FEBRUARY,
1975 THAT:

I. IN ORDER TO CONTRIBUTE TO THE SECURITY OF THEIR
ENERGY SUPPLY, TO THE REDUCTION OF DEPENDENCE
ON IMPORTED OIL, AND TO MORE STABLE CONDITIONS
IN THE WORLD OIL MARKET, THE PARTICIPATING
COUNTRIES WILL DEVELOP COOPERATIVE MEASURES
AIMED AT STIMULATING THE DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES;

II. THESE MEASURES SHOULD PROVIDE A BALANCE OF
ADVANTAGE BETWEEN PARTICIPATING COUNTRIES WITH
SUBSTANTIAL ENERGY RESOURCE POSSIBILITIES AND
THOSE WHOSE ENERGY OPPORTUNITIES ARE MORE
LIMITED;

DECIDES:

1. THAT THE OBJECTIVES OF THIS COMMON COOPERATIVE
PROGRAM WILL BE:

(A) TO INCREASE ENERGY INVESTMENT AND PRODUCTION
WITHIN IEA COUNTRIES AND OUTSIDE;

(B) TO ADD TO THE SECURITY OF ENERGY SUPPLIES OF
THE IEA COUNTRIES;

(C) TO CONTRIBUTE TO THE STABILITY OF THE WORLD
ENERGY MARKET;

(D) TO SUPPORT THE CONSERVATION OBJECTIVES ALREADY
DECIDED ON.

2. THAT, IN FURTHERANCE OF THESE OBJECTIVES, THREE
INTER-LINKED COOPERATIVE MEASURES SHOULD BE ADOPTED:
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- AGREEMENT TO ENCOURAGE AND SAFEGUARD INVESTMENTS
IN THE BULK OF CONVENTIONAL ALTERNATIVE SOURCES.
THIS AGREEMENT SHOULD ALSO CONTRIBUTE TO STIMU-
LATING INVESTMENT FOR THE DEVELOPMENT OF ENERGY
SOURCES OUTSIDE THE IEA COUNTRIES. PARTICIPATING
COUNTRIES REALIZE THAT THE FUNDAMENTAL GOALS OUT-
LINED IN I ABOVE WILL BE AT RISK IF IMPORTED OIL
IS SOLD WITHIN THEIR ECONOMIES BELOW A CERTAIN
AGREED PRICE LEVEL. PARTICIPATING COUNTRIES WILL
ESTABLISH THE LEVEL AT WHICH MEASURES OF THEIR
OWN CHOICE WILL BE IMPLEMENTED TO COUNTER SUCH
RISK. THIS LEVEL WILL BE ESTABLISHED ON THE
BASIS OF FURTHER ANALYSIS, TAKING INTO ACCOUNT
THE PROSPECTIVE DEVELOPMENT OF THE WORLD OIL
SITUATION, AND RECOGNIZING THAT SUCH LEVEL WILL
BE SIGNIFICANTLY LOWER THAN EXISTING PRICES AND
HIGHER THAN PRICES OBTAINING BEFORE OCTOBER 1973.

- AN OVERALL FRAMEWORK OF COOPERATION IN PROVIDING
SPECIFIC MEASURES OF ASSISTANCE, INCLUDING, WHERE
THE CASE MAY BE, INTERNATIONAL, FINANCIAL AND

TECHNOLOGICAL COOPERATION, TO STIMULATE AND INCREASE INVESTMENT IN ENERGY ON A PROJECT-BY-PROJECT BASIS APPLIED TO BOTH LOWER-, AND WHERE JUSTIFIED, HIGHER-COST PROJECTS.

- COOPERATION IN ENERGY RESEARCH AND DEVELOPMENT, INCLUDING JOINTLY SUPPORTED PROJECTS INVOLVING THE POOLING OF NATIONAL RESEARCH AND DEVELOPMENT EFFORTS.

3. THAT POLICIES IMPLEMENTING THE ABOVE MEASURES WILL BE DEVELOPED, WITHIN EXISTING LEGISLATIVE AND CONSTITUTIONAL LIMITATIONS, ON A BASIS DESIGNED TO:

- RESULT IN INCREASED ENERGY PRODUCTION WITHIN IEA COUNTRIES;

- RESULT IN FAIR TREATMENT OF PARTICIPATING COUNTRIES IN RESPECT OF ENERGY PRICES;

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- FACILITATE NON-DISCRIMINATORY ENERGY TRADE AND INVESTMENT AMONG IEA COUNTRIES;

- ASSIST THE ESTABLISHMENT OF A FAIR ECONOMIC AND SOCIAL BALANCE BETWEEN PARTICIPATING COUNTRIES WHEN FIXING THE LEVEL REFERRED TO IN PARAGRAPH 2 ABOVE;

- TAKE ACCOUNT OF ENVIRONMENT PROTECTION.

4. TO ESTABLISH AND IMPLEMENT OVERALL REVIEW PROCEDURES TO ASSIST THE PUTTING INTO EFFECT OF THE MEASURES AND POLICIES ABOVE BY PARTICIPATING COUNTRIES, AND ALSO TO ASSESS, IN QUANTITATIVE TERMS, THE REDUCTION OF DEPENDENCE ACHIEVED BY PARTICIPATING COUNTRIES THROUGH THE PUTTING INTO EFFECT OF THE ABOVE MEASURES AND POLICIES, AND THROUGH THE REALIZATION OF NATIONAL PLANS TO DEVELOP ALTERNATIVE SOURCES. END TEXT
TURNER UNQUOTE INGERSOLL

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